

**Cumming Township
Ogemaw County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2008**

Cumming Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Cumming Township
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumming Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cumming Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumming Township as of March 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2008 on our consideration of Cumming Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 through page 8 and pages 29-32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cumming Township's basic financial statements. The items identified as other supplementary information; the nonmajor governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information items have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 27, 2008

Management's Discussion and Analysis

As management of Cumming Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

Financial Highlights

- The assets of Cumming Township exceeded its liabilities at the close of the most recent fiscal year by \$1,412,299 (*net assets*). Unrestricted net assets for the governmental activities were \$693,108. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$693,108, an increase of \$81,261 in comparison with the prior year. Approximately 46% of the total amount, \$316,213, is available for spending the General Fund at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$316,213 or 422 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The business-type activities of the Township include a sewer system.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Cumming Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund and Landfill Fund. Data from the one non-major governmental fund is combined into a single, aggregated presentation. Individual fund data for the non-major governmental fund is provided elsewhere in this report.

Cumming Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Road Fund, Fire Fund and Landfill Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Proprietary Funds. Cumming Township maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer activity.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 29-32 of this report.

The statements referred to earlier in connection with non-major governmental fund are presented on pages 33-34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,412,299 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$632,067, or 45%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

The remaining balance of unrestricted net assets (\$780,232, or 55%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 703,131	\$ 619,255	\$ 91,784	\$ 102,502	\$ 794,915	\$ 721,757
Capital Assets, Net	369,286	387,175	327,506	335,578	696,792	722,753
Total Assets	<u>1,072,417</u>	<u>1,006,430</u>	<u>419,290</u>	<u>438,080</u>	<u>1,491,707</u>	<u>1,444,510</u>
Current Liabilities	10,023	7,408	4,660	4,909	14,683	12,317
Noncurrent liabilities:						
Due Within One Year	-	-	10,000	10,000	10,000	10,000
Due in More Than One Year	-	-	54,725	65,725	54,725	65,725
Total Liabilities	<u>10,023</u>	<u>7,408</u>	<u>69,385</u>	<u>80,634</u>	<u>79,408</u>	<u>88,042</u>
Net Assets:						
Invested in Capital Assets	369,286	387,175	262,781	259,853	632,067	647,028
Unrestricted	<u>693,108</u>	<u>611,847</u>	<u>87,124</u>	<u>97,593</u>	<u>780,232</u>	<u>709,440</u>
Total Net Assets	<u>\$1,062,394</u>	<u>\$ 999,022</u>	<u>\$ 349,905</u>	<u>\$ 357,446</u>	<u>\$ 1,412,299</u>	<u>\$ 1,356,468</u>

The Township's net assets increased by \$55,831 during the current fiscal year discussed below.

Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program Revenue:						
Charges for Services	\$21,219	\$16,258	\$ 12,695	\$ 13,116	\$ 33,914	\$ 29,374
General Revenue:						
Property Taxes	153,588	191,340	-	-	153,588	191,340
State-Shared Revenues	60,047	59,676	-	-	60,047	59,676
Interest Earnings	16,601	6,233	4,883	4,885	21,484	11,118
Other	577	757	-	2,000	577	2,757
	252,032	274,264	17,578	20,001	269,610	294,265
Expenses:						
General						
Government	74,909	73,737	-	-	74,909	73,737
Public Safety	36,287	31,742	-	-	36,287	31,742
Public Works	76,304	80,660	-	-	76,304	80,660
Recreation and Culture	1,160	680	-	-	1,160	680
Sewer and Water	-	-	25,119	25,534	25,119	25,534
Total Expenses	188,660	186,819	25,119	25,534	213,779	212,353
Increase (Decrease) in Net Assets	63,372	87,445	(7,541)	(5,533)	55,831	81,912
Net Assets, Beginning of Year	999,022	911,577	357,446	362,979	1,356,468	1,274,556
Net Assets, End of Year	\$1,062,394	\$999,022	\$349,905	\$357,446	\$1,412,299	\$1,356,468

Governmental activities. Governmental activities increased the Township's net assets by \$63,372 accounting for all of the growth in net assets of the Township. This was primarily attributed to an increase of \$100,318 in the Road Fund for future construction. Total governmental revenues decreased by \$22,232. The property tax revenue in the Fire Fund decreased by \$22,552 due to a millage rate decrease. Governmental expenses increased by \$ 1,841.

Business-type activities. Business-type activities decreased the Township's net assets by \$ 7,541.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$693,108, an increase of \$81,261 in comparison with the prior year. Approximately 46% of this total amount (\$316,213) constitutes *unreserved fund balance* in the General Fund, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are reserved or included in special revenue funds and not available for current general fund expenditures. The fund balance amounts in special revenue funds consists of \$195,977 in the Road Fund, \$77,546 in the Fire Fund, \$102,469 in the Landfill Fund and \$2,903 in the Liquor Law Enforcement Fund.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$316,213. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 422% of total general fund expenditures.

The fund balance of the General Fund increased by \$20,396 during the current fiscal year.

Proprietary funds. The Township proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$87,124. The total decrease in net assets was \$7,541. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was amended during the year, revising functional categories as needed. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$696,792 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions totaled \$1,020 for the fiscal year.

Township's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 15,065	\$ -	\$ 15,065
Infrastructure	131,288	-	131,288
Buildings and improvements	217,007	-	217,007
Furniture and Equipment	5,926	-	5,926
Sewer and water systems	-	327,506	327,506
Total	\$369,286	\$327,506	\$696,792

Additional information on the Township's capital assets can be found in note 5 on page 25 and 26 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2008-2009 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2007-2008, the General Fund received \$57,220 in state shared revenue from sales tax distributions, representing 60% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Township of Cumming
Township Hall
751 N. Morrison Road
West Branch, Michigan 48661

Cumming Township
Statement of Net Assets
March 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 651,720	\$ 11,413	\$ 663,133
Receivables	2,979	75,906	78,885
Due from governmental units	48,432	4,465	52,897
Capital assets-net	369,286	327,506	696,792
	<u>1,072,417</u>	<u>419,290</u>	<u>1,491,707</u>
Total assets			
	<u>1,072,417</u>	<u>419,290</u>	<u>1,491,707</u>
Liabilities			
Accounts payable	9,491	3,204	12,695
Accrued and other liabilities	532	1,456	1,988
Noncurrent liabilities (Note 7):			
Due within one year	-	10,000	10,000
Due in more than one year	-	54,725	54,725
	<u>10,023</u>	<u>69,385</u>	<u>79,408</u>
Total liabilities			
	<u>10,023</u>	<u>69,385</u>	<u>79,408</u>
Net Assets			
Invested in capital assets, net of related debt	369,286	262,781	632,067
Unrestricted	693,108	87,124	780,232
	<u>693,108</u>	<u>87,124</u>	<u>780,232</u>
Total net assets	<u>\$ 1,062,394</u>	<u>\$ 349,905</u>	<u>\$ 1,412,299</u>

See accompanying notes to financial statements.

Cumming Township
Statement of Activities
Year Ended March 31, 2008

Functions/Programs	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>
Primary government:		
Governmental Activities:		
General government	\$ 74,909	\$ 180
Public safety	36,287	-
Public works	76,304	21,039
Recreation and culture	1,160	-
Other	-	-
Total governmental activities	188,660	21,219
Business-type activities:		
Sewage Disposal System	25,119	12,695
Total business-type activities	25,119	12,695
Total primary government	213,779	33,914
<u>General Revenues:</u>		
Property taxes and fees		
State revenues		
Interest and investment earnings		
Other		
Total general revenues		
Change in Net Assets		
Net assets - beginning of year		
Net assets - end of year		

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (74,729)	\$ -	\$ (74,729)
(36,287)	-	(36,287)
(55,265)	-	(55,265)
(1,160)	-	(1,160)
-	-	-
(167,441)	-	(167,441)
-	(12,424)	(12,424)
-	(12,424)	(12,424)
(167,441)	(12,424)	(179,865)
153,588	-	153,588
60,047	-	60,047
16,601	4,883	21,484
577	-	577
230,813	4,883	235,696
63,372	(7,541)	55,831
999,022	357,446	1,356,468
\$ 1,062,394	\$ 349,905	\$ 1,412,299

Cumming Township
Governmental Funds
Balance Sheet
March 31, 2008

	General Fund	Road Fund	Fire Fund
Assets			
Cash and investments	\$ 319,899	\$ 173,079	\$ 63,633
Due from other funds	3,001	6,739	4,920
Due From other governmental units	14,958	16,159	8,993
Total assets	\$ <u>337,858</u>	\$ <u>195,977</u>	\$ <u>77,546</u>
Liabilities			
Accounts payable	\$ 5,204	\$ -	\$ 2,000
Accrued and other liabilities	532	-	-
Due to other funds	15,909	-	-
Total liabilities	<u>21,645</u>	<u>-</u>	<u>2,000</u>
Fund balances			
Reserved for police inspections	-	-	-
Unreserved:			
General Fund	316,213	-	-
Unreserved-undesignated, reported in:			
Special Revenue Funds	-	195,977	75,546
Total fund balances	<u>316,213</u>	<u>195,977</u>	<u>75,546</u>
 Total liabilities and fund balances	 \$ <u>337,858</u>	 \$ <u>195,977</u>	 \$ <u>77,546</u>

Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not
financial resources, and are not reported in the funds.

The cost of capital assets is
Accumulated depreciation is

Net Assets of Governmental Activities

See accompanying notes to financial statements.

Landfill Fund	Nonmajor Governmental Fund	Total Governmental Funds
\$ 92,206	\$ 2,903	\$ 651,720
4,250	-	18,910
8,322	-	48,432
<u>\$ 104,778</u>	<u>\$ 2,903</u>	<u>\$ 719,062</u>
\$ 2,287	\$ -	\$ 9,491
-	-	532
22	-	15,931
<u>2,309</u>	<u>-</u>	<u>25,954</u>
-	-	-
-	-	316,213
102,469	2,903	376,895
<u>102,469</u>	<u>2,903</u>	<u>693,108</u>
\$ 104,778	\$ 2,903	\$ 719,062
		693,108
		545,408
		(176,122)
		<u>\$ 1,062,394</u>

Cumming Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2008

	General Fund	Road Fund	Fire Fund
Revenues			
Taxes and fees	\$ 27,693	\$ 65,750	\$ 30,404
State revenues	57,220	1,916	-
Charges for services	-	-	-
Interest and rentals	9,883	3,850	459
Reimbursements	85	-	-
Other	492	-	-
Total revenues	<u>95,373</u>	<u>71,516</u>	<u>30,863</u>
Expenditures			
Current:			
General government	68,576	-	-
Public safety	-	-	31,169
Public works	4,221	11,000	-
Recreation and culture	1,160	-	-
Capital outlay	1,020	-	-
Total expenditures	<u>74,977</u>	<u>11,000</u>	<u>31,169</u>
Excess of Revenues Over (Under)			
Expenditures	20,396	60,516	(306)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	20,396	60,516	(306)
Fund balances -Beginning of year	<u>295,817</u>	<u>135,461</u>	<u>75,852</u>
Fund balances -End of year	\$ <u><u>316,213</u></u>	\$ <u><u>195,977</u></u>	\$ <u><u>75,546</u></u>

See accompanying notes to financial statements.

Landfill Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 29,741	\$ -	\$ 153,588
-	911	60,047
21,039	-	21,039
2,589	-	16,781
-	-	85
-	-	492
<u>53,369</u>	<u>911</u>	<u>252,032</u>
-	-	68,576
-	896	32,065
52,729	-	67,950
-	-	1,160
-	-	1,020
<u>52,729</u>	<u>896</u>	<u>170,771</u>
640	15	81,261
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
640	15	81,261
<u>101,829</u>	<u>2,888</u>	<u>611,847</u>
\$ <u><u>102,469</u></u>	\$ <u><u>2,903</u></u>	\$ <u><u>693,108</u></u>

Cumming Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	81,261
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(18,909)	
Capital outlay		1,020	
Public works - roads		<u>-</u>	
			<u>(17,889)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>63,372</u></u>
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See accompanying notes to financial statements.

Cumming Township
Proprietary Funds
Statement of Net Assets
March 31, 2008

	Enterprise Fund
	<u>Sewer System</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 11,413
Accounts receivable	75,906
Due from other governments	<u>4,465</u>
Total current assets	91,784
Noncurrent assets:	
Capital assets	<u>327,506</u>
Total noncurrent assets	<u>327,506</u>
Total assets	419,290
Liabilities	
Current liabilities:	
Accounts payable	3,204
Accrued liabilities	1,456
Current portion of noncurrent liabilities	<u>10,000</u>
Total current liabilities	14,660
Long-term Debt - Net of current portion	<u>54,725</u>
Total liabilities	69,385
Net Assets	
Invested in capital assets - Net of related debt	262,781
Unrestricted	<u>87,124</u>
Total net assets	\$ <u><u>349,905</u></u>

See accompanying notes to financial statements.

Cumming Township
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Assets
Year Ended March 31, 2008

	Enterprise Fund
	<u>Sewer System</u>
Operating Revenue	
Customer billings	\$ <u>12,695</u>
Total operating revenue	12,695
Operating Expenses	
Contracted services	12,541
Utilities	1,303
Repairs and maintenance	-
Other supplies and expenses	43
Depreciation	<u>8,072</u>
Total operating expenses	21,959
Operating Income (Loss)	(9,264)
Nonoperating Revenue (Expenses)	
Interest income	4,883
Interest expense	<u>(3,160)</u>
Change in Net Assets	(7,541)
Net assets - Beginning of year	<u>357,446</u>
Net Assets - End of year	\$ <u><u>349,905</u></u>

See accompanying notes to financial statements.

Cumming Township
Proprietary Funds
Statement of Cash Flows
Year Ended March 31, 2008

Enterprise
Fund
Sewer
System

Cash Flows from Operating Activities

Receipts from customers	\$ 13,275
Payments to suppliers	(14,136)
Net cash provided by operating activities	(861)

Cash Flows from Noncapital Financing Activities

Transfers from other funds	-
Net cash provided by noncapital financing activities	-

Cash Flows from Capital and Related Financing Activities

Capital contributions	7,873
Payments on long-term debt:	
Principal	(11,000)
Interest	(3,160)
Net cash used in capital and related financing activities	(6,287)

Cash Flows from Investing Activities -

Interest received on investments	4,883
----------------------------------	-------

Net Increase in Cash and Cash Equivalents

(2,265)

Cash and Cash Equivalents - Beginning of year

13,678

Cash and Cash Equivalents - End of year

\$ 11,413

Balance Sheet Classification of Cash and Cash Equivalents

Cash and cash equivalents	11,413
Total cash and cash equivalents	<u>\$ 11,413</u>

**Reconciliation of Operating Income to Net Cash from
Operating Activities**

Operating income (loss)	(9,264)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation and amortization	8,072
Changes in assets and liabilities:	
Receivables	(284)
Due from other governments	(297)
Accounts payable	1
Accrued expenses	248
Net cash provided by (used in) operating activities	<u>\$ (1,524)</u>

See accompanying notes to financial statements.

Cumming Township
Fiduciary Funds
Statement of Net Assets
March 31, 2008

	Pension Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 223
Due from taxpayer	-	2,756
Investments - at fair value	<u>83,137</u>	<u>-</u>
Total assets	\$ <u><u>83,137</u></u>	\$ <u><u>2,979</u></u>
Liabilities		
Due to other funds	\$ -	\$ 2,979
Due to other governments	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	\$ <u><u>2,979</u></u>
Net Assets - Held in trust for pension and other employee benefits	\$ <u><u>83,137</u></u>	

See accompanying notes to financial statements.

Cumming Township
Fiduciary Funds
Statement of Changes in Net Assets
March 31, 2008

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 5,400
Employee	1,800
Investment Earnings	<u>2,041</u>
Total additions	9,241
 Deductions	
Administrative expenses	\$ <u>389</u>
Total deductions	<u>389</u>
 Net increase	8,852
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>74,285</u>
End of the year	\$ <u><u>83,137</u></u>

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Cumming Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the financial statements present the Township as the primary government. The Township does not contain any component units.

Joint Area Fire Board - The Township is a participant in the joint venture known as the Rose City Area Fire Board, along with the townships of Rose, Klacking, and City of Rose City. The Rose City Area Fire Board provides fire protection services to the residents of its members.

The most recent available information from the Fire Board's audited financial statements as of December 31, 2006:

Total Assets	\$ 106,966	Total Revenues	\$ 104,124
Total Liabilities	3,101	Total Expenditures	70,025
Total Equity	103,865	Increase in fund balance	34,099

Payments to the Fire Board by the Township for the year ended March 31, 2008 were \$25,190. Financial information for the Fire Board can be obtained from the Township Clerk at the Cumming Township hall.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis for Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absence expenditures are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Road Fund - The Road Fund is used to record property tax revenue, interest earnings, and other revenue restricted for use on Township roads.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fire Fund - The Fire Fund is used to record property tax revenue, interest earnings, and other revenue restricted for fire protection services.

Landfill Fund - The Landfill Fund is used to record the activity of the Township's landfill activities.

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the Township reports the following funds:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Assets, Liabilities, and Net Assets or Equity

Property Taxes - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$28,151,078. The 2007 tax levy was .7730 mills for general operating purposes, 2.3132 for the Road Fund, 1.0000 for the Fire Funds and 1.0000 for the Landfill Fund raising \$21,709 for general fund operating purposes, \$65,750 for road maintenance purposes, \$30,404 for fire protection purposes, and \$29,741 for landfill purposes.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. Public hearings are held to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the Township Board.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the Township Board is the activity level.

During the year, the budgets were amended in a legally permissible manner.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>Fire Fund expenditures:</u>			
Public safety	\$ 30,300	\$ 31,169	\$ 869

Note 3 - Deposits and Investments

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

Government-wide Financial Statement Captions:	Governmental Activities	Business-Type Activities	Township Total
Cash and cash equivalents	\$ 651,720	\$ 11,413	\$ 663,133
Investments	83,137	-	83,137
	\$ 734,857	\$ 11,413	\$ 746,270

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings, and certificates of deposit)	\$ 663,133
Investments	83,137
	\$ 746,270

Investment and deposit risk:

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, there is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for custodial credit risk. At March 31, 2008, \$428,070 of the Township's bank balances of \$665,556 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Townships funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township is authorized by statute and Township policy to invest surplus funds in the following:

- a. Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States with remaining maturities of two years or less.
- b. Certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation.
- c. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services.

The Township's deposits are in accordance with statutory authority.

Cumming Township
Notes to Financial Statements
March 31, 2008

Note 4 - Receivables

The following is the detail of the receivables of the governmental activities due from other governmental units at March 31, 2008:

	General Fund	Sewer Fund	Other Major and Non- Major Funds	Total
State of Michigan	\$ 26,624	\$ -	\$ -	\$ 26,624
Ogemaw County	4,244	4,465	17,564	26,273
	<u>\$ 30,868</u>	<u>\$ 4,465</u>	<u>\$ 17,564</u>	<u>\$ 52,897</u>

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities were as follows:

Governmental Activities

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
<u>Assets</u>				
Capital assets not being depreciated - Land	\$ 14,000	\$ -	\$ -	\$ 14,000
Capital assets being depreciated:				
Infrastructure	150,029	-	-	150,029
Land improvements	1,375	-	-	1,375
Buildings	363,324	1,020	-	364,344
Furniture and equipment	<u>15,660</u>	<u>-</u>	<u>-</u>	<u>15,660</u>
Subtotal	<u>544,388</u>	<u>1,020</u>	<u>-</u>	<u>545,408</u>
<u>Accumulated Depreciation</u>				
Infrastructure	11,240	7,501	-	18,741
Land improvements	114	196	-	310
Buildings	138,466	8,871	-	147,337
Furniture and equipment	<u>7,393</u>	<u>2,341</u>	<u>-</u>	<u>9,734</u>
Subtotal	<u>157,213</u>	<u>18,909</u>	<u>-</u>	<u>176,122</u>
Net capital assets being depreciated	387,175	(17,889)	-	369,286
Net capital assets	<u>\$ 387,175</u>	<u>\$ (17,889)</u>	<u>\$ 0</u>	<u>\$ 369,286</u>

Note 5 - Capital Assets (Continued)

Business-type Activities

<u>Assets</u>	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2008</u>
Capital assets being depreciated				
Sewer system	\$ 403,592	\$ -	\$ -	\$ 403,592
Subtotal	403,592	-	-	403,592
<u>Accumulated Depreciation</u>				
Sewer system	68,014	8,072	-	76,086
Subtotal	68,014	8,072	-	76,086
Net capital assets being depreciated	335,578	(8,072)	-	327,506
Net capital assets	\$ 335,578	\$ (8,072)	\$ 0	\$ 327,506

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 6,334
Public works	12,575
Total governmental activities	\$ 18,909

Business-type activities - Sewer	\$ 8,072
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Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 3,001	General Fund	\$ 15,909
Road Fund	6,739	Road Fund	-
Fire Fund	4,920		-
Landfill Fund	4,250	Landfill Fund	22
Fiduciary Funds	-	Fiduciary Funds	2,979
Total	\$ 18,910	Total	\$ 18,910

Note 7 - Long Term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. The Township issued Special Assessment bonds in 1998 to finance sewer system construction.

Long-term obligation activity can be summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
1998 Special Assessment Sewer Bond, payable in principal installments on October 1 of each year. Interest at 4.5% payable on April 1 and October 1	\$ 75,725	\$ (11,000)	\$ 64,725	\$ 10,000

Note 7 - Long Term Debt (Continued)

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2009	\$ 10,000	\$ 2,688	\$ 12,688
2010	10,000	2,238	12,238
2011	8,000	1,833	9,833
2012-2017	36,725	3,837	40,562
Total	<u>\$ 64,725</u>	<u>\$ 10,596</u>	<u>\$ 75,321</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets: errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 9 - Pension Plan

Cumming Township has a defined contribution plan for elected officials through Burnham and Flower Group. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 15% of the employee's gross earnings to the plan.

During the year, the Township's required and actual contributions amounted to \$5,400, which was 15% of its current year covered payroll. Voluntary employee contributions amounted to \$1,800. Covered payroll was \$34,314. Total payroll was \$36,894. All elected officials are covered by the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the year.

Note 10 - Commitment - Cumming Township

On November 6, 1997, the Township Board executed an agreement with the City of Rose City, whereby the Township is authorized to connect its wastewater collection system to the City's wastewater treatment system. The Township will be allowed to utilize up to 13% of the wastewater treatment system's capacity. The Township will pay all costs of connection.

Additionally, the Township agrees to pay the City for each user of the Township Collection System at rates enumerated in the City's sewer rate ordinance.

The City agrees to operate and maintain the Township's facility. The Township shall reimburse the City for the effort at its prevailing hourly rates for labor and equipment.

Funding for the project is detailed below:

Community Development Block Grant	\$ 125,000
U.S. Department of Agriculture - Rural Development	100,000
Special Assessment Sewer Bond	173,725
Local Contribution	<u>4,867</u>
	<u>\$ 403,592</u>

The Special Assessment Sewer Bond is to be repaid from Special Assessment Roll No. 2 against benefited properties totaling \$175,370. The special assessment is to be collected over a twenty year period. The Special Assessment for 2007 was \$7,872 plus interest of \$4,330.

Local contributed capital consists of the following:

Special Assessments	\$ 175,370
Connection charges	10,376
Township	<u>1</u>
Total	<u>\$ 185,747</u>

Required Supplemental Information

Cumming Township
Budgetary Comparison Schedule - General Fund
Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Fund Balance - Beginning of year	\$ 294,900	\$ 294,900	\$ 295,817	\$ 917
Resources (Inflows)				
Taxes and fees	26,061	26,061	27,693	1,632
State-shared revenues	40,000	40,000	57,220	17,220
Interest and rentals	4,600	4,600	9,883	5,283
Reimbursements	-	-	85	85
Other	1,000	1,000	492	(508)
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>366,561</u>	<u>366,561</u>	<u>391,190</u>	<u>24,629</u>
Charges to Appropriations (Outflows)				
General government	89,100	84,700	68,576	16,124
Public works	4,500	4,500	4,221	279
Recreation and culture	2,000	2,000	1,160	840
Capital outlay	5,000	5,000	1,020	3,980
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>100,600</u>	<u>96,200</u>	<u>74,977</u>	<u>21,223</u>
Fund Balance - end of year	<u>\$ 265,961</u>	<u>\$ 270,361</u>	<u>\$ 316,213</u>	<u>\$ 3,406</u>

Cumming Township
Budgetary Comparison Schedule - Road Fund
Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Fund Balance - Beginning of year	\$ 76,701	\$ 76,701	\$ 135,461	\$ 58,760
Resources (Inflows)				
Taxes and fees	59,550	59,550	65,750	6,200
State revenues	1,900	1,900	1,916	16
Charges for services	-	-	-	-
Interest	2,000	2,000	3,850	1,850
Amounts available for appropriation	140,151	140,151	206,977	66,826
Charges to Appropriations (Outflows)				
Public works	12,000	12,000	11,000	1,000
Total charges to appropriations	12,000	12,000	11,000	1,000
Fund Balance - end of year	\$ 128,151	\$ 128,151	\$ 195,977	\$ 65,826

Cumming Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Fund Balance - Beginning of year	\$ 75,193	\$ 75,193	\$ 75,852	\$ 659
Resources (Inflows)				
Taxes and fees	25,000	25,000	30,404	5,404
Charges for services	800	800	-	(800)
Interest	400	400	459	59
Amounts available for appropriation	101,393	101,393	106,715	5,322
Charges to Appropriations (Outflows)				
Public safety	30,300	30,300	31,169	(869)
Total charges to appropriations	30,300	30,300	31,169	(869)
Fund Balance - end of year	<u>\$ 71,093</u>	<u>\$ 71,093</u>	<u>\$ 75,546</u>	<u>\$ 6,191</u>

Cumming Township
 Budgetary Comparison Schedule - Landfill Fund
 Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Fund Balance - Beginning of year	\$ 112,545	\$ 112,545	\$ 101,829	\$ (10,716)
Resources (Inflows)				
Taxes and fees	25,700	25,700	29,741	4,041
Charges for service	20,000	20,000	21,039	1,039
Interest	200	200	2,589	2,389
Amounts available for appropriation	<u>158,445</u>	<u>158,445</u>	<u>155,198</u>	<u>(3,247)</u>
Charges to Appropriations (Outflows)				
Public works	56,500	56,500	52,729	3,771
Capital outlay	3,000	3,000	-	3,000
Total charges to appropriations	<u>59,500</u>	<u>59,500</u>	<u>52,729</u>	<u>6,771</u>
Fund Balance - end of year	<u>\$ 98,945</u>	<u>\$ 98,945</u>	<u>\$ 102,469</u>	<u>\$ 3,524</u>

Other Supplemental Information

Cumming Township
Balance Sheet
Nonmajor Governmental Fund
March 31, 2008

	<u>Liquor Law Enforcement</u>
Assets	
Cash and investments	\$ <u>2,903</u>
Total assets	\$ <u><u>2,903</u></u>
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ -
Due to other funds	<u>-</u>
Total liabilities	<u>-</u>
 Fund Balances:	
Unreserved	<u>2,903</u>
Total fund balance	<u>2,903</u>
Total liabilities and fund balances	\$ <u><u>2,903</u></u>

Cumming Township
Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Fund
Year Ended March 31, 2008

	Liquor Law Enforcement
Fund Balance - Beginning of year	\$ 2,888
Resources (Inflows)	
State grants	911
Amounts available for appropriation	<u>3,799</u>
Charges to Appropriations (Outflows)	
Public safety	896
Total charges to appropriations	<u>896</u>
Fund Balance - end of year	<u><u>\$ 2,903</u></u>

APPENDICES

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Township Board
Cumming Township
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Cumming, Ogemaw County, Michigan, as of and for the year ended March 31, 2008, which comprise Cumming Township's basic financial statements and have issued our report thereon dated September 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumming Township's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumming Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cumming Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Cumming Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cumming Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Cumming Township's response, and accordingly, we express no opinion on it.

This report is intended for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
Rose City, Michigan
September 27, 2008

Cumming Township
Schedule of Findings and Responses
Year Ended March 31, 2008

FINDING

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including related footnotes.

Condition: The Township, as is common in smaller and medium sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition is caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

RESPONSE

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

FINDING

The general ledger for the various funds of the Township were not in balance.

Requirement: The general ledger needs to be in balance for all funds.

Condition: The Township has been using a manual system of recordkeeping. Clerical errors have been made when calculating year to date account balances in the general ledger.

Cause: Every time numbers are posted there is the potential for error. Checks of the totals posted have not been performed, thus the posting accuracy has not been verified.

Effect: The effect is that the general ledger is not in balance.

RESPONSE

The Township will prepare a monthly proof tape to locate posting errors and verify that all funds are in balance. The Township is confident that the ledgers will be in balance in future years.



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

September 27, 2008

To the Township Board
Cumming Township
Ogemaw County, Michigan

We have audited the financial statements of Cumming Township for the year ended March 31, 2008, and have issued our report thereon dated September 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Cumming Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cumming Township are described in Note 1 to the financial statements. The Township did not adopt any new accounting policies during the year ended March 31, 2008. We noted no transactions entered into by Cumming Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Cumming Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Cumming Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Cumming Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cumming Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Cumming Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ROBERTSON & CARPENTER CPAs, P.C.
Certified Public Accountants